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MINUTES  
CHICOPEE MOBILEHOME RENT CONTROL BOARD  
JANUARY 7, 2008

MEMBERS PRESENT

Robert Hopkins, Sharyn Riley, Ronald Lafond

ALSO PRESENT

Kevin Corridan, Attorney for the Board

OLD BUSINESS

**Robert Hopkins:** We have two pieces of old business before us and I will take them in the order in which they were received. The S&M Bluebird, Inc. proposal for rent increase is the first thing we are going to deliberate on. We look at two pieces of rebuttal evidence that were sent to us, one from the tenants and one from the park. First, as part of the open meeting process, it was received since the last meeting and it's allowed to have rebuttal. No new evidence is going to be allowed. After, we will deliberate the merits of the increase proposal and decide what the rent increase, if any, will be based upon the evidence before us and come to a fair, equitable decision. After we finish that, on the docket tonight, is the tenant's response to the Harmony Homes proposal, and we'll take that under old business.

First order of business is to ask if the members have received the minutes of the last meeting and find it to be acceptable, if so, we would entertain a motion to either correct or affirm the minutes.

**Sharyn Riley:** Chairman, we only have one set of those minutes so we have not read them, the one you have is the only draft.

**Robert Hopkins:** We will defer the minutes until the next meeting. We will not entertain a motion to approve the minutes until the next meeting.

Since the last meeting regarding the S&M Bluebird proposal, we have received two pieces of correspondence I believe, one from Mr. Dugre and one for Mr. Lefebvre. Both were basically rebuttals of information presented and discussed at the previous meeting. For the record received by the Law Department January 2, 2008 a letter that will read into the record addressing Mobilehome Rent Control Board regarding S&M Bluebird from DeJordy, Dugre, Croteau & Co. (reading from letter). Basically, the Board has had an opportunity to review this document and then respond to that. I am going to summarize from Gelinas and Lefebvre, Attorneys at Law, dated the next day, received January 3<sup>rd</sup>. (Reads letter). Do we have any discussion on the matter?

**Ronald Lafond:** No.

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**Robert Hopkins:** Basically, what we need to decide is the fairness of the rent increase proposal from S&M Bluebird bases upon the evidence brought before us. On one hand, the mobilehome park owners have requested an increase of \$65.00 per month to the tenants and the Tenant's Association requested and suggested a rate increase of zero dollars per month, given the maintenance conditions and so forth. Therein is the objective of tonight's meeting is to come up with something between zero and \$65.00 per month as a fair proposal. Now they have not been before us for two years and it was ten years prior to that. What do you think Ron?

**Ronald Lafond:** The proposal is \$65.00, doing all the figuring, I broke it all down, with the assumption that they haven't been here for a couple of years, so I broke it down roughly about \$45.00 for an increase.

**Robert Hopkins:** And that was based upon all considerations of the increases of sewer and water which incidentally comes from the City of Springfield not from the City of Chicopee and that reflects the net operating income return and that deliberation.

**Sharyn Riley:** Can I get a clarification of what the amounts are for the (inaudible).

**Robert Hopkins:** Mr. Dugre, \$21.00 last time, and that was over twelve years, that came out to less than \$2.00 per month per year in the increase in that time. They certainly deserved an adjustment at that time. Again, I think it would be wise not to consider the fact that, my opinion only, the matter of the previous twelve years was already adjudicated here two years ago when we came up with all of the line items, line by line, with the previous members of the Board and that is settled. We should probably only be looking at the increase of expenses since the increase, I think is a fair way to do it. I think our job, again, is to adjudicate between the needs, the park owners to maintain the park so they don't go out of business and the tenants to be able to survive in a fixed income capacity. Any further questions Sharyn.

**Sharyn Riley:** No further questions.

**Marc Dugre:** I just want to say that, the only thing that I think the Board needs to understand is when we came here two and a half years ago, what we asked for (inaudible) what you gave them was \$47,000.00 less. So their still \$47,000.00 behind (inaudible).

**Robert Hopkins:** My answer to that is that when that was adjudicated at that time by this committee any party that was offended by the decision of the Board could have appealed to the Housing Court at that time and I think that time is passed. We do try to settle it here. Our mission to try to come up with a fair compromise. Mr. Lefebvre, I will give you the opportunity to speak to the issue as well.

**Robert Lefebvre:** I would agree to look at the actual expenses for 2005. I think the residents agree that a \$21.00 increase at that time was reasonable. We also should not forget that the rent is being paid directly to the Grochmals who are a separate entity and

Mr. Dugre has calculated that that yield rate of return on the property itself is 2.7% and that 2.7% has to be calculated into the number of the rent increase so if the debt service rate or the prime lending rate is 7.5% we've got to reduce that by the amount of income they are taking in.

**Robert Hopkins:** So 7.50% by 2.5% is 5% for return of investment, correct? Again, we as a Board can decide to use that figure. My concern for the proposal that in the proposal as submitted to us that the mobilehome park is attempting to fund future projects based on increase of income now to the tenants, such as road improvements, lighting improvements. I think that as far as incorporating that part of the rate increase we need to have a discussion about whether that's appropriate for our Board to consider funding future promised improvements, like increasing the current rent. That would be my suggestion.

**Sharyn Riley:** That's certainly a tough call. We've sat here at meetings and listened to tenants complaint about various issues about the park, I wear two hats and I can see both sides, but on the other hand, there is no guarantee that, a fund for future, that those are going to take place, I don't feel that comfortable providing something for the future.

**Robert Hopkins:** In terms of general business practice when somebody wants to make a capital improvement, one usually capitalizes that by going to a lending institution, obtaining a loan and amortizing those improvements or repair of expendable years on equipment or improvements on the property which tends to increase the value of the property as well. Certainly, that was one of the reasons that the guidelines called for a fair net operating return based on at least the commercial interest rate. Those kinds of capitalization can be recovered by coming back to us after they have been made. I think what we should be obligated to look at for an increase is water, sewer, taxes, it's not fair that they should have to go into debt either to service and ongoing expense. Just on the bottom figure for discussion of about a \$17.00 increase, would that be fair to say Mr. Lefebvre? Instead of looking at zero initially, basically \$17.00 is the figure that I think we find acceptable. Again, that \$45.00 a month Ron that you mentioned was that in consideration of also funding the capitalization improvements.

**Sharyn Riley:** Just for a clarification you said the \$17.00 is the minimal base would increase, including which expenses?

**Robert Lefebvre:** Let me clarify that. Mr. Dugre wrote down what the increase on the expenses were for water, sewer and taxes and trash removal and I think the total annual was \$8,644.00. If you break that down between 168 units, I think that's \$5.00 increase in the monthly rent.

**Robert Hopkins:** Again, these figures were based on taxation evaluations as of 2006, Mr. Dugre, correct?

**Marc Dugre:** The water, rubbish and the tax, that went up approximately \$35,000.00. The water went up almost \$30,000.00. They were not reading the meter, it was broken, that was estimated, once they fix that, the bill is now \$37, 38,000 for water.

**Robert Hopkins:** I would say that it would be reasonable and proper to say that the park is entitled to recover the increases of water, sewer and taxes. Can we determine what the cost per tenant would be? I would suggest that when we make the motion that he \$17.66 be the minimum base of increase. Any further questions?

**Sharyn Riley:** I just wanted a little bit of a clarification on the water again, you said a couple of times that once they went to the metered water bill that it went up by almost \$30,000.00, isn't the actual operating expense for water for 06 \$30,963.00?

**Marc Dugre:** The first package we gave you, we gave you the current water bills and they went up since year end December 31, 06. The bill of \$30,000 received is now \$36,000 or \$37,000.

**Sharyn Riley:** I understand that, but when you said it went up \$30,000 if we're using 06 as our threshold...

**Marc Dugre:** No, we are using current numbers.

**Sharyn Riley:** You're using 07, okay.

**Robert Lefebvre:** What was it in 05? Did it increase \$30,000 (inaudible)

**Marc Dugre:** Since the last time we came here it has gone up.

**Robert Hopkins:** So the 04 which was the last proposal was \$5,000 a year estimated from the Springfield Water Department now the actual is \$30,000 something. Alright so the water has increased 600% since the last time they came before us. That certainly is a matter of consideration.

**Ronald Lafond:** I have no problem with the \$17.65, but I can't give them more because we don't know if they will make any improvements in the park. I want to see the improvements.

**Sharyn Riley:** I agree that a promise is a promise but there is no guarantee that that promise will be upheld but on the other hand, the alternative is nothing, if you give nothing. What you have right now is the standard quote. I heard a lot of complaining about certain upkeep of things, roads, trees, various things, it does cost money. If we're looking at the \$17.65 or 66 as a minimum threshold with no other improvements, I don't know if that would be acceptable to the tenants.

**Robert Lefebvre:** Our feeling is that those capital improvements that need to be made should be funded through a bank or some kind of commercial lender to finance the

project, then they come in to you in two years and say “this is what we’ve done” and get a credit for depreciation for interest expenses, for financing that they’ve incurred. I think the Attorney General Regulations says that you can’t consider expenses for capital improvements in a monthly rent increase such as this.

**Robert Hopkins:** I think what we’re looking at is a minimum, the cost of living is 2 ½ to 3% per year as just an overall. If the monthly rent is currently \$190.00 for the regular park lots, 120 for campers. I don’t think we should charge equally. A 10% increase will result in \$19.00 a month. Let’s make a motion that we move this forward and discuss it. I suggest \$17.65 on the low end as the minimum amount for the actual recovery for expenses, it probably went up another 10%, I think \$19.00 would be roughly 10%. I would like to consider that our base. Let’ make a motion, I think \$19.00 would probably be the lowest we can consider in fairness to strictly recovery of cost increases.

**Robert Hopkins:** We rather see small increases more often than a large increase. We have \$19.00, any other consideration.

**Sharyn Riley:** I make a motion to consider an increase of \$19.00.

**Robert Hopkins:** There’s a motion on the floor that the increase in rent be \$19.00.

**Ronald Lafond:** I second the motion.

**Robert Hopkins:** Discussion on that item for the \$19.00 increase. All in favor of a \$19.00 rent increase for S&M Bluebird, Inc. All in favor?

**Board:** Yes, all in favor.

**Robert Hopkins:** Motion carries. *Motion passed unanimously.*

**Robert Hopkins:** Second order of business related to that should be the decision of the Board that the Mobilehome Park be barred from coming before us for two years, or make a motion that they can come back.

**Ronald Lafond:** I make a motion they can come back within a year’s period.

**Sharyn Riley:** I second the motion.

**Robert Hopkins:** Motion carries. *Motion passed unanimously.*

**Robert Hopkins:** January 7, 2009 you may return to see us.

Next order of business is under old business is Mobilehome Parks, Inc. We have received a request for rent increase regarding Harmony Homes Village. In their proposal they are requesting an upper adjustment of rent for Harmony Homes Village and the last time they had a rent increase was 14 years ago in May of 1993 of \$44.49. They are

requesting an increase in water and sewer of \$31,200.00 roughly. An increase of \$69.37 for real estate taxes and an increase of \$7,355.00 for a seven year average for snow plowing and sanding, I presume that's an annual cost. Total increase requested is \$45,509.75, \$30.83 per tenant per month. An increase of \$201.16 to \$231.99 which includes the \$6.00 Chicopee fee which is the mandatory Health Department fee. We have received this proposal with documentation, we actually received this last time correct?

**Marcia Stemm:** No, you received this in the mail.

**Robert Hopkins:** Okay, so this is your first opportunity to come before us and officially present this, correct?

**Marcia Stemm:** Correct. This was my info to you within my 30 days.

**Robert Hopkins:** This is acceptable with the rent increase of 30.66 is the only thing their looking at for a rent increase.

Motion to receive the proposal from Harmony Homes?

**Ronald Lafond:** Motion to accept

**Robert Hopkins:** All in favor.

**Board:** Yes. *Motion passed unanimously.*

**Robert Hopkins:** Do the tenants have an association, an attorney, or anyone?

**Tenants:** No.

**Robert Hopkins:** You have received a copy of this proposal, all of you?

**Tenants:** Yes.

**Robert Hopkins:** What we're going to do is take this under advisement tonight, accept this as the proposal from Ms. Stemm and her corporation and one month from now I would ask you to return with a counter-proposal or objections to why you think it is unreasonable.

**Marcia Stemm:** 60 days, it's got to be by January 17<sup>th</sup>. Per your procedural rules, they have 60 days, so that's why January 17<sup>th</sup>.

**Robert Hopkins:** That's why I asked you if this was the initial meeting.

**Marcia Stemm:** No, we did the initial meeting November 19<sup>th</sup>.

**Robert Hopkins:** When did you mail it out to them.

**Marcia Stemm:** They got theirs whenever you got yours.

**Robert Hopkins:** Mine is dated December 14<sup>th</sup>.

**Marcia Stemm:** That's when you got it.

**Robert Hopkins:** Well, you can't start the 60 day clock from when you come up with the proposal.

**Marcia Stemm:** I'm sorry Bob, the procedural rules say that they're required within 60 days of the initial meeting, well the initial meeting was held on November 19, 2007 so their 60 days ends on January 17, 2008.

**Robert Hopkins:** Well, my point is that if I received this on December 14<sup>th</sup>, that's we're considering as the official proposal and it was received at the Law Department on December 14<sup>th</sup>, isn't that when the clock starts, should it not counselor?

**Kevin Corridan:** It depends on what the rules say.

**Robert Hopkins:** Okay, let's read the rules.

**Kevin Corridan:** If I could just add though, at the end of that sentence is also says "unless the chairperson"...

**Robert Hopkins:** Because the information was not received on a day during the meeting, that this is the first reading and acceptance of the proposal officially by the Board. Today, we have not had the opportunity to read the proposal. To be fair to the tenants.

As chairman of the Board I am going to accept this proposal, we will start the clock today, 60 days for the tenants to have response.

**Kevin Corridan:** This is the third time that these people have been in here, I believe that this would be the initial meeting.

**Robert Hopkins:** There's not a huge increase here and I don't think there will be controversy, so I think we should do it in 30 days. Is 30 days acceptable to the tenants?

**Kevin Corridan:** You should make a motion to accept.

**Robert Hopkins:** The next meeting is February 11<sup>th</sup>, at 6:00 p.m.